

## Message Text

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ORIGIN SS-25

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C O N F I D E N T I A L STATE 005406

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, EFIN

SUBJECT: SAUDI-ARAMCO NEGOTIATIONS

1. EXECUTIVE OF EXXON REPORTED TO DEPARTMENT OFFICER THAT LONDON ROUND OF NEGOTIATIONS WITH YAMANI LAST WEEK MADE TWO RELATIVELY MINOR ADDITIONS TO DRAFT SET OF AGREEMENTS BUT YAMANI LACKED AUTHORITY TO CONCLUDE. YAMANI SAID HE WOULD SHORTLY MAKE FURTHER EFFORT TO GET AGREEMENT OF MEMBERS OF SAUDI OIL COUNCIL, SOME OF WHOM CONTINUE TO RESIST LONG-TERM COMMITMENT TO SUPPLY FORMER ARAMCO PARTNERS AS MUCH AS 7.7 MMBD AND ONE OF WHOM (MINISTER OF FINANCE) WANTS TO DENY SAUDI-ARAMCO RIGHT TO FINANCE ITSELF RATHER THAN DEPEND ON BUDGET ALLOCATIONS. COMPANIES AGREED TO YAMANI'S INSISTENCE ON WRITING INTO AGREEMENT OBLIGATION TO OFFER CARGO TO  
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SAUDI-FLAG TANKERS AT PREVAILING MARKET PRICES WHENEVER THEY GO OUT FOR BIDS. NEGOTIATION ALSO SET A REDUCED FEE (UNDISCLOSED IN PHONE CONVERSATION) TO PARTNER COMPANIES FOR PRODUCTION ABOVE 8.5 MMBD, EFFECTIVE JANUARY 1, 1977.

2. YAMANI PRESENTED PLANS FOR IMMEDIATE EXPANSION OF

PRODUCTION AND STIPULATED THAT COMPANIES MUST ASSURE THAT ALL BUYERS OF CRUDE (INCLUDING PARTNER-OWNED REFINERIES) PAY POSTED SAUDI PRICES. QUARTERLY AUDITED STATEMENTS ON CRUDE SALES WILL BE REQUIRED TO ASSURE THIS, BUT NO EFFORT TO CONTROL REFINERY PRODUCT PRICES SEEMS TO BE INTENDED. SPEAKING INDIVIDUALLY TO FOUR COMPANIES, HE ALLOTTED TO EACH COMPANY A CUSTOMER HE HAD FOUND FOR INCREMENTAL SAUDI CRUDE AND URGED THEM TO FIND MORE CUSTOMERS ON THEIR OWN INITIATIVE. IMPLICATION WAS THAT EXPANDED SALES WOULD RUN THROUGH ARAMCO GROUP COMPANIES RATHER THAN DIRECT VIA PETROMIN. MAJORITY OF INCREMENTAL CRUDE IS MEDIUM AND HEAVY GRADES WHICH COMPANIES BELIEVE MAY BE DIFFICULT TO PLACE FOR REASONS FAMILIAR TO EMBASSY. PRESENT AND RECENT CUSTOMERS FOR IRAQUI, LIBYAN AND IRANIAN SPOT OR SHORT-TERM SALES SEEM TO BE PARTICULAR TARGETS OF YAMANI'S MARKETING EFFORT.

3. DEPARTMENT WILL OBTAIN MORE COMPLETE BRIEFING TUESDAY FROM ARAMCO SOURCES ON EXPANDED SAUDI PRODUCTION/MARKETING EFFORTS.  
KISSINGER

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1977STATE005406  
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